
Washington Suburban Sanitary Commission

MISSION STATEMENT

The Washington Suburban Sanitary Commission (WSSC) is a bi-county governmental agency established in 1918 by an act of the Maryland General Assembly. It is charged with the responsibility of providing water and sanitary sewer service within the Washington Suburban Sanitary District which includes most of Montgomery and Prince George's Counties. In Montgomery County, the Town of Poolesville and portions of the City of Rockville are outside of the District.

WSSC PROPOSED BUDGET

The WSSC proposed budget is not detailed in this document. The WSSC budget may be obtained from WSSC's Budget Group at the Headquarters Building, 14501 Sweitzer Lane, Laurel, Maryland 20707, phone 301.206.8110 or from their website at www.wsscwater.com.

Prior to January 15 of each year, the Commission prepares preliminary proposed capital and operating budgets for the next fiscal year. On or before February 15, the Commission conducts a public hearing. The Commission then prepares and submits the proposed capital and operating budgets to the County Executives of Montgomery and Prince George's Counties by March 1.

By March 15 of each year, the County Executives of Montgomery and Prince George's Counties are required by law to transmit the proposed budgets, recommendations on the proposed budgets, and the record of the public hearing held by WSSC to their respective County Councils.

Each County Council may hold public hearings on the proposed budgets of WSSC, but no earlier than 21 days after receipt from the County Executive. Each County Council may add to, delete from, increase, or decrease any item in either budget. Additionally, each County Council is required by law to transmit by May 15 any proposed changes to the other County Council for review and concurrence. The failure of both Councils to concur on changes constitutes approval of the item as originally proposed by WSSC. Should the County Councils fail to approve the budgets on or before June 1 of each year, the proposed budgets of WSSC are adopted.

Spending Affordability Guidelines (SAG)

The SAG process requires the Counties to set annual ceilings on WSSC's water and sewer rates and debt (both bonded indebtedness and debt service), and then adopt corresponding limits on the size of the capital and operating budgets. As required by Council resolution, both Councils must agree on guidelines by November of each year. The two Councils must not approve capital and operating budgets in excess of the approved spending control limits unless a majority of each

Council votes to approve them. If the two Councils cannot agree on expenditures above the spending control limits, they must approve budgets within these limits.

Last fall, the two Councils did not reach agreement on spending control limits. Montgomery County Council supported a maximum water and sewer rate increase of 2.5 percent in FY06 as well as outyear planning estimates that include annual rate increases of 2.5 percent. WSSC and the County Executive concurred with Montgomery County Council's proposed rates.

The table below shows Montgomery County Council's proposed Spending Affordability Guidelines for FY06 compared to the WSSC proposed budget and the County Executive's recommendations. The table indicates a \$7.9 million increase in new debt and slight increases in debt service and water and sewer operating expenses between WSSC's request and the County Executive's recommendation. These increases are related to estimate adjustments for the Blue Plains Advanced Wastewater Treatment Plant (WWTP), as explained below.

There is also an increase in water and sewer operating expenses between the proposed SAG and WSSC's request. The bulk of this increase is related to the Marlboro Meadows Water Supply Main project. On March 1, 2005, WSSC requested that the two Counties amend the Capital Improvements Program (CIP) in accordance with a February 2005 signed Memorandum of Understanding (MOU). The MOU adds \$18.6 million to the Marlboro Meadows project, including \$10.3 million in FY06. Of the \$10.3 million, \$8.0 million is from the water fund balance and therefore increases operating budget expenditures. The balance of FY06 expenditures is funded by Prince George's County. The County Executive supports this amendment.

The County Executive supports WSSC's initiatives to become more competitive through implementation of CAP practices, and commends WSSC's accomplishments made through the CAP program.

Strategic Fiscal Plan

During the FY01 budget process, for the first time, WSSC formally adopted a multi-year fiscal plan for FY01-05. In June of 2003, the Commission revisited the fiscal plan and adopted a new plan for FY04-FY09. The primary policy goals of the plan are to: stabilize water and sewer rates when fiscally possible; use excess fund balance for PAYGO to reduce overall debt and debt service when available; reduce the Commission's workforce in line with the competitive gap reassessment results; increase water and sewer operating reserves; and fund security improvements and increased regulatory compliance requirements.

The County Executive supports the stated primary policy goals of the plans, applauds WSSC's long-range fiscal planning effort, and looks forward to the Plan's forthcoming update.

FY06 COUNTY EXECUTIVE RECOMMENDATIONS

Capital Budget

Expenditures

Increase capital expenditures (\$14.5 million): In January 2005, the County Executive's recommendations on WSSC's FY06-11 CIP included a \$9.1 million increase in the Blue Plains Advanced WWTP project estimates to align with amounts proposed by the District of Columbia's Water and Sewer Authority (WASA), offset by a \$4.9 million decrease in the Potomac Bi-County Water Supply Main project resulting from the shift of design funds to outyears to await completion of the alignment study. Since the County Executive supports the Marlboro Meadows Water Supply project amendment, an additional \$10.3 million in FY06 capital expenditures is required. The net recommended change for FY06 is an increase in capital expenditures of \$14.5 million. WSSC concurs with these recommendations.

Operating Budget

Expenditures

Increase Debt Service and expenditures (\$534,000): The FY06 WSSC Operating Budget is influenced, in part, by the level of expenditures authorized in the first year of the FY06-11 CIP and other expenditures in the WSSC Capital Budget. The operating budget includes expenditures for debt service on bonds that finance the construction of CIP projects, lateral water and sewer lines (which carry water or wastewater to and from a dwelling or business), and other capital projects.

Approximately \$7.9 million (all associated with the Blue Plains Advanced WWTP project) of the \$14.5 million recommended

Spending Affordability Guideline Comparison			
\$ in millions	Mont. Co. Council Proposed SAG	WSSC Request	CE Rec.
Water/Sewer bill increase	2.5%	2.5%	2.5%
New debt*	\$136.1	\$136.1	\$144.0
Debt Service (d.s.)	\$150.2	\$150.0	\$150.5
Water/Sewer Op. Exp. (inc. d.s.)	\$407.1	\$416.3	\$416.9
* New debt includes a system completion factor of 80%			

Workforce Reductions

In April 1996, WSSC proposed a four-year plan to reduce 56 workyears by FY00 through implementation of a Competitive Action Program (CAP) which would result in more competitive work practices. Since FY96, WSSC has reduced 657 authorized workyears and is proposing to reduce an additional 20 workyears in FY06. An additional 15 workyears are being proposed for enhanced sewer maintenance and rehabilitation programs for a net decrease of five.

WSSC anticipates annual CAP reductions of 20 workyears between FY07 and FY11. Despite these reductions, WSSC has expressed a commitment to continue operations without sacrificing quality, service, or employee safety and intends to improve competitiveness through reorganization, reengineering of processes, use of technology, and implementation of industry "Best Practices."

increase in the capital budget is funded by water and sewer rate-supported debt. The County Executive recommends a related increase in debt service of \$534,000 and recognizes that WSSC has sufficient fund balance to cover this additional expense in FY06. Fiscal projections are shown below.

Expenditure by Category - Executive Recommended FY06							
	WSSC	WSSC	(WSSC)	CE	CE	CE	
	Total	Total	Total	Capital	Operating	Total	% Chg.
	Actual	Approved	Proposed	Rec.	Rec.	Rec.	Req./
	FY04	FY05	FY06	FY06	FY06	FY06	Rec.
Expenditure Categories							
Salaries and Wages	89,064	93,544	97,453	18,618	78,835	97,453	0.0%
Heat, Light, & Power	11,069	14,542	16,677	0	16,677	16,677	0.0%
Sewage Disposal	34,643	35,010	36,060	0	36,060	36,060	0.0%
Contract Work	52,332	107,955	105,962	105,962	0	105,962	0.0%
Consulting Engineers	7,996	16,422	22,936	22,936	0	22,936	0.0%
All Other	205,301	205,054	233,457	111,781	136,161	247,942	6.2%
Debt Service	186,828	218,356	226,163	83	226,614	226,697	0.2%
Total Budget	587,233	690,883	738,708	259,380	494,347	753,727	2.0%
Note: Expenditures include water, sewer, and interest and sinking funds							

The County Executive believes that available opportunities to limit overall debt and debt service through the allocation of additional amounts of current revenue and/or fund balance to PAYGO should continue to be pursued.

PROGRAM CONTACTS

Contact Sheila Cohen of the Washington Suburban Sanitary Commission at 301.206.8167 or Douglas M. Weisburger of the Office of Management and Budget at 240.777.2762 for more information regarding this agency's capital and operating budgets.

WSSC PROPOSED: FORECAST FOR WATER & SEWER OPERATING FUNDS

FISCAL PROJECTIONS	FY05	FY06	FY06	FY07	FY08	FY09	FY10	FY11
	EST.	REQ.	RECOM'D	EST.	EST.	EST.	EST.	EST.
ASSUMPTIONS (\$000)								
New Water/Sewer Debt	\$111.5	\$136.1	\$144.0	\$163.3	\$181.7	\$122.4	\$95.4	\$65.7
Total Water/Sewer Operating Expenses	\$377.7	\$416.3	\$416.9	\$416.2	\$425.0	\$439.3	\$448.4	\$446.3
Debt Service	\$132.0	\$150.0	\$150.5	\$159.8	\$167.5	\$175.1	\$178.5	\$168.0
Total Water/Sewer Bill Increase	3.0%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
BEGINNING FUND BALANCE	76,293	81,170	81,170	65,424	60,517	59,423	55,784	54,876
REVENUES								
Water & Sewer Rate Revenue	329,614	339,878	339,878	350,204	361,070	372,279	383,808	395,698
Interest Income	2,100	3,500	3,500	3,500	3,500	3,500	3,500	3,500
Account Maintenance Fee (Service Chg)	21,800	22,100	22,100	22,400	22,700	23,000	23,300	23,600
Miscellaneous	21,560	24,720	24,720	22,860	24,460	24,760	25,060	25,360
Total Revenues	375,074	390,198	390,198	398,964	411,730	423,539	435,668	448,158
SDC Debt Service Offset	3,002	2,905	2,905	2,809	2,710	2,611	2,512	2,413
Reconstruction Debt Service Offset	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000
Use of Prior Year Net Revenue	8,500	16,712	17,246	6,407	2,594	5,139	2,408	1,650
Less Rate Stabilization	(5,024)	(1,482)	(1,482)	0	0	0	(150)	(13,914)
TOTAL FUNDS AVAILABLE	389,552	416,333	416,867	416,180	425,034	439,289	448,438	446,307
EXPENDITURES								
Salaries and Wages	74,719	78,231	78,231	80,089	82,243	84,451	86,714	89,033
Heat, Light, and Power	14,542	16,677	16,677	16,170	16,197	16,625	17,271	18,345
Regional Sewage Disposal	35,010	36,060	36,060	37,142	38,256	39,404	40,586	41,804
Debt Service	132,000	149,968	150,502	159,805	167,505	175,122	178,525	167,994
Debt Reduction (PAYGO)	7,000	13,024	13,024	1,482	0	0	0	150
All Other	112,904	120,873	120,873	126,548	121,991	126,262	123,842	127,481
TOTAL USE OF RESOURCES	377,675	416,333	416,867	416,180	425,034	439,289	448,438	446,307
REVENUE/EXPENDITURE SURPLUS/(GAP)	11,877	0	0	0	0	0	0	0
YEAR END FUND BALANCE w/o additional \$1.5 m reserve	79,670	64,458	63,924	59,017	57,923	54,284	53,376	53,226
Additional \$1.5 million Reserve Annual Contribution	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500
TOTAL YEAR END FUND BALANCE	81,170	65,958	65,424	60,517	59,423	55,784	54,876	54,726
Debt Service as a Percent of Budget	35.0%	36.0%	36.1%	38.4%	39.4%	39.9%	39.8%	37.6%
Estimated Water Production (MGD)	167.0	167.5	167.5	168.0	168.5	169.0	169.5	170.0
5% Reserve (water and sewer revenue)	16,481	16,994	16,994	17,510	18,054	18,614	19,190	19,785

Assumptions:

1. FY07-11 reflects WSSC's multi-year forecast and assumptions which are not adjusted to conform with the County Executive's Recommended CIP for WSSC. The projected future expenditures, revenues, and fund balances may be based on changes to rates, fees, usage, inflation, future labor agreements, and other factors not assumed here.
2. The County Executive's operating budget recommendation is for FY06 only and includes the revenue and resource assumptions of that budget.
3. Rate stabilization costs are those costs projected to meet the estimated rate increases.

WSSC Organization

February 2005

